IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

TIM P. BRUNDLE, on behalf of the Constellis Employee Stock Ownership Plan	)	
Plaintiff,	)	
v.	)	Civil Action No. 1:15cv1494-LMB-IDD
WILMINGTON TRUST N.A., as successor to WILMINGTON TRUST RETIREMENT AND INSTITUTIONAL SERVICES COMPANY,	)	
Defendant.	)	

DECLARATION OF JEFFREY S. TARBELL, ASA, CFA

I, Jeffrey S. Tarbell, make this Declaration pursuant to section 1746 of Title 28 of the United States Code.

I. Summary of Opinion

In December 2016, I provided expert witness testimony during the trial that the Court held in the above-captioned matter. At the request of Wilmington Trust and its counsel, I have reviewed the Court's March 13, 2017 Memorandum Opinion, including the "Calculation of Damages" analysis within Section III of the Memorandum Opinion.

It is my opinion that the Court erred in calculating the aggregate amount of damages. It is also my opinion, consistent with the Court's ruling on page 65, that in order to determine damages, the entire range of fair market value that SRR calculated first should be recalculated and "shifted downward" based on the Court's findings with respect to those certain components of the valuation that the Court found to be erroneous. My recalculation of the range of fair

EXHIBIT
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market value, accepting in whole the Court's adjustments, is set forth in the attached Schedule A and is summarized below:

	SRR Report	Adjusted for the Court's Findings
Concluded Enterprise Value (in millions)	$275.0 – $325.0	$258.4 – $308.5
Fair Market Value of Equity (in millions)	$256.0 – $302.0	$241.1 – $286.5
Per Share Value	$3,865 – $4,555	$3,638 – $4,323

The $4,235 per share that the ESOP paid for Constellis stock falls within the adjusted range of fair market value (on a price per share basis).

II. Background

On pages 59 through 64 of the Memorandum Opinion, the Court analyzed nine different alleged errors in the SRR valuation. The Court ruled that six of the errors impacted the price that the ESOP paid for the stock, and, in a chart on page 65 of the Memorandum Opinion, the Court described that the "Findings of Impact on Price" totaled $29,773,250 (the "Findings). The Court's quantification of the Findings was based, with some adjustments, on a damage analysis identified by Plaintiff's expert, Dana Messina, in his trial testimony and his April 13, 2016 report.[1]

After quantifying its Findings, the Court, on page 65, calculated damages by subtracting the aggregate value of the Findings ($29,773,250) from the price that that ESOP paid for the

[1] My opinion described herein should not be construed to imply that I agree with Mr. Messina's calculation of damages. Although I disagree with Mr. Messina's analyses and calculations, I assume only for purposes of this declaration, that those amounts that Mr. Messina calculated that the Court relied upon are correct.

shares it acquired ($201,529,032.77) (the "ESOP Purchase Price"). The Court's damage calculation is incorrect for four primary reasons:

- Five of the six Messina calculations that the Court adopted in its Finding represent "Enterprise Value" adjustments. The Court erred by applying these five Findings to the ESOP Purchase Price, which represents "Equity Value." As described in the Memorandum Opinion at page 11, the Equity Value of Constellis is derived from its Enterprise Value by subtracting debt, adding cash, and adjusting for other factors such as marketability and dilutive securities. Applying Enterprise Value adjustments to the Equity Value-based ESOP Purchase Price overstates damages.

- Certain of Mr. Messina's calculations that the Court adopted in its Finding affect only one of the two valuation methodologies that SRR used in determining Enterprise Value. The Court did not adjust those amounts to reflect the relative weighting of the two methodologies in arriving at Enterprise Value. Applying the Findings without adjusting for the relative weighting assigned to each valuation method overstates damages.

- Certain adjustments that are made to Enterprise Value in order to arrive at Equity Value are "value-dependent"[2] and, as a result, also must be re-calculated when other valuation inputs change. Accordingly, the Court has erred by not accounting for the corresponding changes in down-the-line adjustments that were impacted by the Court's other rulings.

[2] For example, the 5% Discount for Lack of Marketability (row 12) is dependent upon the Marketable Value of Equity (row 11).

- Finally, any adjustment to the Fair Market Value of Equity would equally affect all stockholders. Since the ESOP purchased only 47,587 out of 66,270 shares (75%) of Constellis, the Court erred by applying the Findings only to the ESOP Purchase Price, which represents the "Equity Value" of the 47,587 shares purchased by the ESOP, rather than the entire 66,270 shares of Constellis.

III. Description of Calculations Underlying My Opinion

Using the Court's Findings, and accepting as correct the dollar amounts the Court attributed to each error, I calculated the impact of the Findings on the range of low and high values determined in the SRR Report.

Schedule B shows my calculations to arrive at a new low end of the range of fair market value, as adjusted to account for the Findings. A step-by-step description of my calculations is set forth below:

- Column 1 represents the "Low" conclusions set forth in Exhibit 1 of the SRR Report.
- Column 2 incorporates the effect of the Court's findings related to "Reliance on Management's Growth Projections."

  - First, I made the Court's adjustment of $4.325 million only to the conclusion from SRR's Discounted Cash Flow Method (row 3) since SRR's Guideline Company Method was not based on management growth projections. Based on SRR's implicit weighting of 60% (row 4) to the Discounted Cash Flow Method, I calculated the discrete impact of this adjustment to be a reduction in Constellis' Enterprise Value of $2.595 million (row 5).

  - Second, in column 2, I made additional adjustments to reflect that several of the calculations necessary to derive Constellis' Equity Value are value-dependent. For example, the Discount for Lack of Marketability (row 12) is not a static number, but rather fluctuates with the Marketable, Control Value of Equity (row 11). Similarly, the Dilution from Stock Options (row 14) and After-Tax Change of Control Bonus (row 15) figures are each dependent upon Constellis' per share equity value. In other words, one cannot change Constellis' Enterprise Value independent of other figures which are value-dependent. I calculated the discrete impact of this adjustment to be a reduction in Constellis' Fair Market Value of Equity (row 16) of $2.338 million, or approximately $35 per share (row 18).

- Column 3 incorporates the effect of the Court's findings related to "Use of 0.7 Beta."

  - First, I made the Court's adjustment of $2.936 million only to the conclusion from SRR's Discounted Cash Flow Method since SRR's Guideline Company Method was not based on a beta input. Based on SRR's implicit weighting of 60% to the Discounted Cash Flow Method, I calculated the discrete impact of this adjustment to be a reduction in Constellis' Enterprise Value of $1.762 million.

  - Second, in column 3, I adjusted for the value-dependent components and calculated the discrete impact of this adjustment to be a reduction in Constellis' Fair Market Value of Equity of $1.496 million, or approximately $23 per share.

- Column 4 incorporates the effect of the Court's findings related to "Inclusion of Control Premium."

    - First, I made the Court's adjustment of $8.186 million only to the conclusion from SRR's Guideline Company Method (row 1). Based on SRR's implicit weighting of 40% (row 2) to the Guideline Company Method, I calculated the discrete impact of this adjustment to be a reduction in Constellis' Enterprise Value of $3.274 million. The Court made a separate adjustment for an implicit control premium (column 5) in the Discounted Cash Flow Method.

    - Second, in column 4, I adjusted for the value-dependent components and calculated the discrete impact of this adjustment to be a reduction in Constellis' Fair Market Value of Equity of $2.832 million, or approximately $43 per share.

- Column 5 incorporates the effect of the Court's findings related to "Failure to Include Lack of Control Discount."

    - First, I made the Court's adjustment of $9.715 million only to the conclusion from SRR's Discounted Cash Flow Method. See Opinion at page 62 ("some lack of control discount ought to have been applied to the DCF analysis.") Based on SRR's implicit weighting of 60% to the Discounted Cash Flow Method, I calculated the discrete impact of this adjustment to be a reduction in Constellis' Enterprise Value of $5.829 million. The Court made a separate adjustment for the inclusion of a control premium (column 4) in SRR's Guideline Company Method.

  - Second, in column 5, I adjusted for the value-dependent components and calculated the discrete impact of this adjustment to be a reduction in Constellis' Fair Market Value of Equity of $5.078 million, or approximately $78 per share.

- Column 6 incorporates the effect of the Court's findings related to "Stock Appreciation Rights."

  - First, I included the Court's adjustment of $1.611 million (row 9) as one of the adjustments to Constellis' Equity Value.

  - Second, in column 6, I adjusted for the value-dependent components and calculated the discrete impact of this adjustment to be a reduction in Constellis' Fair Market Value of Equity of $1.043 million, or approximately $16 per share.

- Column 7 incorporates the effect of the Court's findings related to "Rounding."

  - First, I made the Court's adjustment of $3.000 million directly to Constellis' Enterprise Value.

  - Second, in column 7, I adjusted for the value-dependent components and calculated the discrete impact of this adjustment to be a reduction in Constellis' Fair Market Value of Equity of $2.281 million, or approximately $34 per share.

- Column 8 shows the aggregate effect on Constellis' Enterprise Value of the Court's six adjustments, which I calculated as $18.071 million (row 5) and the aggregate effect on

Constellis' Fair Market Value of Equity, which I calculated as $15.069 million (row 16), or approximately $227 per share (row 18).

- Column 9 represents the "Low" conclusions set forth in Exhibit 1 of the SRR Report adjusted for the aggregate impact of the Findings. As shown, I calculated the adjusted low Enterprise Value to be $258.5 million, the adjusted low Fair Market Value of Equity to be $241.1, and the adjusted low Fair Market Value of Equity Per Share to be $3,638.

Schedule C shows my calculations to arrive at a new high end of the range of fair market value, as adjusted to account for the Findings. Column 1 represents the "high" conclusions set forth in Exhibit 1 of the SRR Report. The column by column adjustments (Columns 2 through 8) were made in an identical matter as on Schedule B.

Column 9 represents the "High" conclusions set forth in Exhibit 1 of the SRR Report adjusted for the aggregate impact of the Findings. As shown, I calculated the adjusted high Enterprise Value to be $308.5 million, the adjusted high Fair Market Value of Equity to be $286.5, and the adjusted high Fair Market Value of Equity Per Share to be $4,323.

IV. Conclusion

For the reasons set forth herein, it is my opinion that the Court erred in calculating the aggregate amount of damages. It is also my opinion, consistent with the Court's ruling on page 65, that in order to determine damages, the entire range of fair market value that SRR calculated first should be recalculated and "shifted downward" based on the Court's findings with respect to those certain components of the valuation that the Court found to be erroneous. My recalculation

of the range of fair market value, accepting in whole the Court's adjustments, is set forth in the attached Schedule A and is summarized below:

	SRR Report	Adjusted for the Court's Findings
Concluded Enterprise Value (in millions)	$275.0 – $325.0	$258.4 – $308.5
Fair Market Value of Equity (in millions)	$256.0 – $302.0	$241.1 – $286.5
Per Share Value	$3,865 – $4,555	$3,638 – $4,323

The $4,235 per share that the ESOP paid for Constellis stock falls within the adjusted range of fair market value (on a price per share basis).

AND FURTHER THE DECLARANT SAYETH NAUGHT.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

April 10, 2017
DATE

Jeff Tarbell
JEFFREY S. TARBELL, ASA, CFA

Schedule A. Adjustment of SRR's Valuation Conclusion by the Findings

in thousands, except per share figures

U.S. Dollars in Thousands	Indicated Range of Value SRR Exhibit A			Indicated Range of Value Adjusted for the Findings [1]		
	Low		High	Low (Schedule B)		High (Schedule C)
Guideline Company Method	$290,000	–	$345,000	$281,814	–	$336,814
Discounted Cash Flow Method	$265,000	–	$314,000	$248,024	–	$297,024
Concluded Enterprise Value	$275,000	–	$325,000 [a]	$258,540	–	$308,540 [2]
Interest Bearing Debt	-$17,391	–	-$17,391 [b]	-$17,391	–	-$17,391
Cash and Cash Equivalents	$22,540	–	$22,540 [c]	$22,540	–	$22,540
CFO Severance Liability	-$792	–	-$792	-$792	–	-$792
Stock Appreciation Rights	$0	–	$0	-$1,611	–	-$1,611
Total Adjustments	$4,357	–	$4,357	$2,746	–	$2,746
Marketable, Control Value of Equity	$279,000	–	$329,000	$261,286	–	$311,286
DLOM of 5%	-$13,950	–	-$16,450	-$13,064	–	-$15,564
Nonmarketable, Control Value of Equity	$265,000	–	$265,000	$248,222	–	$295,722
Dilution from Stock Options	-$300	–	-$400	-$291	–	-$345
After-Tax Change of Control Bonus	-$8,943	–	-$10,540 [d]	-$6,854	–	-$8,891
Fair Market Value of Equity	$256,000	–	$302,000	$241,077	–	$286,486
Divided by: Shares Outstanding	66.270	–	66.270	66.270	–	66.270
Fair Market Value of Equity Per Share	$3,865	–	$4,555	$3,638	–	$4,323

SRR Footnotes:

a. Based on a weighted average of the Guideline Company Method and the Discounted Cash Flow Method, with the Discounted Cash Flow Method weighted more heavily than the Guideline Company Method.
b. Based on pro forma balance sheet as of the Transaction Date provided by the Company.
c. Equal to cash balance as of November 30, 2013 which represents a normalized level of cash.
d. Based on 5.0% of fair market value of equity.

Additional Footnotes:

1. Figures are not rounded
2. Assumes that Guideline Company Method is weighted 40% and Discounted Cash Flow Method is weighted 60%.

Schedule B. Adjustment of SRR's "Low" Value by the Findings

in thousands, except per share figures

		Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
		SRR Low	Reliance on Mgmt's Growth Proj.	Use of 0.7 Beta	Inclusion of Control Premium	Failure to Include Lack of Control Discount	Stock Apprec. Rights	Rounding	Aggregate Impact of the Findings	Adjusted SRR Low	Difference
Row 1	Guideline Company Method	$290,000			-$8,186				-$8,186	$281,814	
Row 2	Weighting				40%						
Row 3	Discounted Cash Flow Method	$265,000	-$4,325	-$2,936		-$9,715			-$16,976	$248,024	
Row 4	Weighting		60%	60%		60%					
Row 5	Concluded Enterprise Value	$275,000	-$2,595	-$1,762	-$3,274	-$5,829		-$3,000	-$16,460	$258,540	-$16,460
Row 6	Interest Bearing Debt	-$17,391								-$17,391	
Row 7	Cash and Cash Equivalents	$22,540								$22,540	
Row 8	CFO Severance Liability	-$792								-$792	
Row 9	Stock Appreciation Rights	$0					-$1,611		-$1,611	-$1,611	
Row 10	Total Adjustments	$4,357					-$1,611		-$1,611	$2,746	
Row 11	Marketable, Control Value of Equity	$279,000	-$2,595	-$1,762	-$3,274	-$5,829	-$1,611	-$3,000	-$18,071	$261,286	-$17,714
Row 12	DLOM of 5%	-$13,950	$130	$88	$164	$291	$81	$150	$904	-$13,064	$886
Row 13	Nonmarketable, Control Value of Equity	$265,000	-$2,465	-$1,674	-$3,111	-$5,538	-$1,530	-$2,850	-$17,168	$248,222	-$16,778
Row 14	Dilution from Stock Options	-$300	$1	$0	$2	$7	-$1	$1	$9	-$291	$9
Row 15	After-Tax Change of Control Bonus	-$8,943	$126	$178	$276	$453	$489	$568	$2,089	-$6,854	$2,089
Row 16	Fair Market Value of Equity	$256,000	-$2,338	-$1,496	-$2,832	-$5,078	-$1,043	-$2,281	-$15,069	$241,077	-$14,923
Row 17	Divided by: Shares Outstanding	66.270	66.270	66.270	66.270	66.270	66.270	66.270	66.270	66.270	0.000
Row 18	Fair Market Value of Equity Per Share	$3,865	-$35	-$23	-$43	-$77	-$16	-$34	-$227	$3,638	-$227

Schedule C. Adjustment of SRR's "High" Value by the Findings

in thousands, except per share figures

		Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
		SRR Low	Reliance on Mgmt's Growth Proj.	Use of 0.7 Beta	Inclusion of Control Premium	Failure to Include Lack of Control Discount	Stock Apprec. Rights	Rounding	Aggregate Impact of the Findings	Adjusted SRR Low	Difference
Row 1	Guideline Company Method	$345,000			-$8,186				-$8,186	$336,814	
Row 2	Weighting				40%						
Row 3	Discounted Cash Flow Method	$314,000	-$4,325	-$2,936		-$9,715			-$16,976	$297,024	
Row 4	Weighting		60%	60%		60%					
Row 5	Concluded Enterprise Value	$325,000	-$2,595	-$1,762	-$3,274	-$5,829		-$3,000	-$16,460	$308,540	-$16,460
Row 6	Interest Bearing Debt	-$17,391								-$17,391	
Row 7	Cash and Cash Equivalents	$22,540								$22,540	
Row 8	CFO Severance Liability	-$792								-$792	
Row 9	Stock Appreciation Rights	$0					-$1,611		-$1,611	-$1,611	
Row 10	Total Adjustments	$4,357					-$1,611		-$1,611	$2,746	
Row 11	Marketable, Control Value of Equity	$329,000	-$2,595	-$1,762	-$3,274	-$5,829	-$1,611	-$3,000	-$18,071	$311,286	-$17,714
Row 12	DLOM of 5%	-$16,450	$130	$88	$164	$291	$81	$150	$904	-$15,564	$886
Row 13	Nonmarketable, Control Value of Equity	$265,000	-$2,465	-$1,674	-$3,111	-$5,538	-$1,530	-$2,850	-$17,168	$295,722	$30,722
Row 14	Dilution from Stock Options	-$400	$9	$7	$10	$14	$6	$9	$55	-$345	$55
Row 15	After-Tax Change of Control Bonus	-$10,540	$47	$101	$202	$380	$419	$500	$1,649	-$8,891	$1,649
Row 16	Fair Market Value of Equity	$302,000	-$2,410	-$1,565	-$2,899	-$5,143	-$1,105	-$2,341	-$15,464	$286,486	-$15,514
Row 17	Divided by: Shares Outstanding	66.270	66.270	66.270	66.270	66.270	66.270	66.270	66.270	66.270	0.000
Row 18	Fair Market Value of Equity Per Share	$4,555	-$36	-$24	-$44	-$78	-$17	-$35	-$233	$4,323	-$232